

# Audit Report



MANAGEMENT OF CONTRACT WAIVERS AND DEVIATIONS  
FOR DEFENSE SYSTEMS

Report No. 99-011

October 13, 1998

Office of the Inspector General  
Department of Defense

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INSPECTOR GENERAL  
DEPARTMENT OF DEFENSE  
400 ARMY NAVY DRIVE  
ARLINGTON, VIRGINIA 22202

October 13, 1998

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE FOR ACQUISITION  
AND TECHNOLOGY

SUBJECT: Audit Report on the Management of Contract Waivers and Deviations for  
Defense Systems (Report No. 99-011)

We are providing this report for your information and use. This report is the fourth and final in a series of reports resulting from our audit of contract waivers and deviations of Defense systems and summarizes our overall evaluation. We considered management comments on a draft of this report in preparing the final report.

We provided you with a draft of this report on September 4, 1998. Although no comments were required, the Army provided comments on September 29, 1998.

We appreciate the courtesies extended to the audit staff. Questions on the audit should be directed to Mr. John E. Meling at (703) 604-9091 (DSN 664-9091) or Mr. Douglas P. Neville at (703) 604-9076 (DSN 664-9076). See Appendix C for the report distribution. Audit team members are listed inside the back cover.

A handwritten signature in black ink, reading "Robert J. Lieberman", is positioned above the typed name.

Robert J. Lieberman  
Assistant Inspector General  
for Auditing



## **Office of the Inspector General, DoD**

**Report No. 99-011**

(Project No. 6AE-033.03)

**October 13, 1998**

### **Management of Contract Waivers And Deviations for Defense Systems**

#### **Executive Summary**

**Introduction.** This report is the fourth and final in a series of reports resulting from our audit of management of contract waivers and deviations for Defense systems and summarizes our overall evaluation. Report No. 96-221, "The Avenger Forward-Looking Infra-Red System," September 16, 1996, addresses waivers on the Army Avenger system; Report No. 97-104, "Waivers and Deviations for the C-17 Aircraft," March 6, 1997, addresses waivers on the Air Force C-17 aircraft; and Report No. 98-197, "Management of Contract Waivers and Deviations for the Trident II Missile System," September 2, 1998, addresses waivers and deviations on the Navy Trident II Missile System. In total, we reviewed seven Defense systems, three Army systems, two Navy systems, and two Air Force systems.

**Audit Objective.** The primary audit objective was to evaluate the management of contract waivers and deviations for Defense systems. Specifically, we assessed whether procedures for reviewing, approving, and obtaining equitable consideration for major waivers and deviations were adequately and consistently applied. We also reviewed the implementation of management controls applicable to waivers and deviations.

**Audit Results.** Program offices needed to improve the procedures used to manage contract waivers and deviations for four of the seven Defense programs reviewed. As a result, the four program offices did not have assurance that the Government received equitable or appropriate consideration for the degraded value of nonconforming items accepted through waivers and deviations. See Part I for a discussion of the audit results. Details on the results of the management control program are in Appendix A.

**Management Comments.** We provided a draft of this report to management on September 4, 1998. Although no comments were required, the Army Aviation and Missile Command provided comments on September 29, 1998. See Part I for a summary of the management comments and Part III for the complete text of the management comments.



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## **Part I - Audit Results**

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## Audit Background

Federal Acquisition Regulation, subpart 46.407, “Nonconforming Supplies or Services,” allows the contracting officer to accept nonconforming supplies when it is in the Government’s best interest. The contracting officer shall make this determination based upon:

- o advice from technical experts that the item is safe to use and will perform its intended purpose;
- o information regarding the nature and extent of the nonconformance;
- o a request from the contractor for acceptance of the supplies or services (if feasible);
- o a recommendation for acceptance or rejection with supporting documentation; and
- o appropriate contract adjustment including any adjustments offered by the contractor.

Federal Acquisition Regulation also requires the contracting officer to modify the contract under which nonconforming items are accepted to provide for an equitable price reduction or other consideration. The Federal Acquisition Regulation does not define “other consideration.” For this audit, we define “other consideration” as compensation, services, or contract fee reductions negotiated between the contractor and the Government in exchange for accepting nonconforming goods.

Military Standard 973, “Configuration Management,” April 17, 1992, requires contractors to initiate requests for waivers and deviations when the contractor cannot or will not build items to contract requirements. The request must include any cost or schedule impact to the contract. Military Standard 973 defines waivers and deviations as follows:

Waiver: A written authorization, to accept an item, which during manufacture, or after having been submitted for Government inspection or acceptance, is found to depart from specified requirement, but nevertheless is considered suitable for use “as is” or after repair by an approved method.

Deviation A specific written authorization, granted prior to the manufacture of an item, to depart from a particular requirement(s) of an item’s current approved configuration documentation for a specific number of units or a specified period of time.

To perform the audit, we selected seven Defense systems for review. The seven Defense systems were the Army’s Avenger Missile System, Hellfire Missile System, and Tube-Launched, Optically Tracked, Wire Command-Link Guided

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Missile System; the Navy's Harpoon and Trident II Missile Systems; and the Air Force's C-17 Aircraft and Titan IV Systems. In Appendix B, we provide descriptive information on the seven Defense systems that we reviewed.

## **Audit Objective**

The primary objective was to evaluate the management of contract waivers and deviations for Defense systems. Specifically, we assessed whether procedures for reviewing, approving, and obtaining equitable consideration for major waivers and deviations were adequately and consistently applied. We also reviewed the implementation of management controls applicable to waivers and deviations. This report is the fourth and final in a series of reports addressing the management of waivers and deviations for Defense systems. In Appendix A, we discuss the scope and methodology used to accomplish the audit objective, management controls, and prior audit coverage.

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## **Managing Contract Waivers and Deviations**

The program offices needed to improve the procedures used to manage contract waivers and deviations for four of the seven Defense systems reviewed. Specifically, program and contracting officials did not:

- o process requests for major waivers as required in Military Standard 973 (Avenger Missile System);
- o perform cost and price analyses to determine the adequacy of consideration obtained for the approval of major waivers and deviations (C-17 aircraft and Trident II Missile System); or
- o retain contract documentation showing that major waivers and deviations were processed as required (Harpoon Missile System).

In addition, the C-17 System Program Office did not follow through to ensure that the contractor timely corrected waivers of nonconforming items that the Program Office had conditionally accepted. As a result, the four program offices did not have assurance that the Government received equitable or appropriate consideration for the degraded value of nonconforming items accepted through waivers and deviations.

## **Contract Waivers and Deviations Requirements**

Overall, subpart 46.407 of the Federal Acquisition Regulation and Military Standard 973 establishes effective requirements for managing contract waivers and deviations. Using those requirements, program and contracting officials for three of the seven Defense systems reviewed (the Hellfire Missile System, the Tube-Launched, Optically Tracked, Wire Command-Link Guided Missile System, and the Titan IV System) effectively managed to process major contract waivers and deviations.

## **Improvements Needed**

The program offices for the remaining four Defense systems needed to improve their management of contract waivers and deviations. The improvements related to requirements for processing contractor requests for waivers, obtaining equitable or appropriate consideration for approving waivers and deviations, and retaining waiver and deviation documentation.

**Processing Contractor Requests for Waivers.** Program and contracting officials for the Avenger Missile System did not require the contractor to process requests for waivers as required in Military Standard 973, and therefore did not get equitable consideration as required by subpart 46.407 of the Federal

Acquisition Regulation. From November 1, 1988, through May 21, 1992, the Avenger Project Office accepted 325 deficient Avenger systems, valued at \$232 million, without requiring the prime contractor to subsequently correct the problems causing critical system operational performance deficiencies. The Army accepted the deficient systems because of the Army's urgency to field the Avenger in Operation Desert Storm. In accepting the 325 deficient systems, the Avenger Project Office did not require the prime contractor to submit requests for waivers or to provide an equitable contract cost reduction or other consideration for the Forward-Looking Infra-Red system operational performance requirement.

In response to recommendations in Inspector General, DoD, Report No. 96-221, "The Avenger Forward-Looking Infra-Red System," September 16, 1996, the Weapon System Management Directorate of the Aviation and Missile Command agreed to request consideration from the contractor to close the issue. Moreover, during the 2nd Quarter, FY 1997, the Aviation and Missile Command requested additional funds for the FY 1999 budget to resolve this issue.

**Obtaining Equitable Consideration For Approving Waivers and Deviations.** Federal Acquisition Regulation, subpart 46.407, "Nonconforming Supplies or Services," addresses the requirement for obtaining equitable consideration. Specifically, the subpart requires that the contracting officer modify the contract for an equitable price reduction or other consideration when the contracting officer accepts supplies or services with critical or major nonconformances.

Program and contracting officials for two of the Defense systems reviewed did not establish a direct relationship between the amount of consideration received and the value of the nonconforming materials accepted. This condition occurred because the respective contracting officers used alternative techniques instead of requiring technical reviews and cost analyses to determine an equitable amount of consideration the Government should receive.

**C-17 Aircraft.** Although the C-17 System Program Office generally managed contract waivers and deviations in an effective manner, program and contracting officials did not require technical evaluations to establish a direct relationship between the consideration received and the degraded values of the nonconforming materials accepted. The C-17 System Program Office expedited granting major contract waivers and deviations by using past average consideration that the Government had received from various categories of waivers. The contracting officer used this procedure instead of performing a technical review to determine the value of the consideration the Government should request. Without using the advice of technical experts to calculate the consideration required for each waiver and deviation, the contracting officer did not ensure that the consideration received was equitable.

The C-17 System Program Office used most of the waivers and deviations that it granted to conditionally accept aircraft that were mission capable although they did not meet detailed contract specifications. Yet, the C-17 System Program Office required that the contractor correct, at a later date, the nonconformities that caused the contract waivers and deviations. Although, the contractor agreed to the corrections, the C-17 System Program Office did not

## **Managing Contract Waivers and Deviations**

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ensure they were timely for obtaining traceability information, serial numbers, and part tracking implemented for all airframe fracture-critical and landing gear, life-limited parts as reported in Inspector General, DoD, Report No. 97-104, "Waivers and Deviations for the C-17 Aircraft," March 6, 1997. In response to the report recommendation, the C-17 System Program Office established time-phased milestones to implement serialization on future aircraft delivery and to backfill data on aircraft already received by the Air Force.

In General Accounting Office Report No. GAO/NSIAD-98-20 (Office of the Secretary of Defense Case No. 1479), "Guidance Is Needed on Payments for Conditionally Accepted Items," December 12, 1997, nonconforming items were accepted on major Defense acquisition systems with the expectation that the contractors would correct known deficiencies and complete unfinished work. In support of this statement, the report cites the C-17 Aircraft program as one of the examples. Specifically, the report states that the estimated price to correct known deficiencies and complete unfinished work on two C-17 contracts exceeded the amounts withheld by about \$61 million, based on the contractor's cost estimates, or \$127 million, based on the Defense Contract Management Command's cost estimates for administering the contracts. The report states that the cause for this condition was the lack of guidance to contracting officers in Federal and DoD regulations for determining amounts to be withheld from payments when the Military Departments accept items conditionally. The report recommends that the Secretary of Defense amend the Defense Federal Acquisition Regulation Supplement to require that, when conditionally accepting nonconforming items, the amounts withheld should at least cover the cost and related profit to correct deficiencies and complete other unfinished work. If the contracting officer determines that withholding a lesser amount is in the best interests of the Government, the report recommends that such a determination should be properly documented and justified in the contract files. In response to the report, DoD submitted a Federal Acquisition Regulation rule change to the Civilian Agency Acquisition Council in May 1998 to include a requirement that, when conditionally accepting nonconforming items, amounts to be withheld should at least cover the cost and related profit to correct deficiencies and complete other unfinished work.

**Trident II Missile System.** The Program Office adequately and consistently applied the process for reviewing and approving major waivers and deviations on contracts for Trident II missile and reentry body components. However, the Program Office did not perform cost and price analyses to determine the adequacy of consideration obtained for the approval of major waivers and deviations. The Program Office did not perform those analyses because the cost-plus-incentive-fee contracts for the missile and reentry body components included an incentive-fee provision to obtain consideration (a reduction in incentive fee) for approved major waivers and deviations. The provision established a predetermined formula for computing Government consideration for accepting waivers and deviations that did not directly relate to the degraded value of the nonconforming materials accepted. As a consequence, the Program Office's methodology for obtaining consideration for more than 300 major waivers and deviations approved since FY 1984 did not ensure that the Government consideration was appropriate. Also, the waiver and deviation incentive-fee provision did not effectively motivate the contractor to annually reduce the numbers of waivers and deviations requested because the

incentive-fee target used for annual waiver and deviation reductions in the incentive-fee formula was not known and not included in the contracts.

Inspector General, DoD, Report No. 98-197, "Management of Contract Waivers and Deviations for the Trident II Missile System," September 2, 1998, recommends that the Director, Strategic Systems Programs Office, direct the procuring contracting officer for Trident II missile and reentry body components to discontinue using the incentive-fee clause for contract waivers and deviations in future production contracts. The report also recommends that the procuring contract officer perform cost and price analyses to negotiate and obtain equitable consideration for accepting major waivers and deviations on future production contracts.

### **Retaining Waiver and Deviation Documentation in Contract Files.**

Contracting officials for the Harpoon Missile System did not retain documentation on approved waivers and deviations in contract files. This condition occurred because the contracting officials did not follow documentation retention requirements established in Naval Air Instruction 4130.1C, "Naval Air Systems Command Configuration Management Policy," January 3, 1992. The Instruction requires that documentation supporting the approval of major contract waivers and deviations be retained for approximately 3 years, and then retired to the archive files.

From FY 1992 to FY 1997, program and contracting officials approved two major waivers and one major deviation. Although the contracting officer stated that the Harpoon Project Office approved the waivers and deviation in accordance with established procedures, the contracting officer could not locate the approval documentation. The contracting officer was unable to provide assurance that the major contract waivers and deviation were approved properly and that equitable consideration was received for the degraded value of nonconforming material. During the audit, the Harpoon Project Office agreed to implement procedures to ensure that documentation for approved major waivers and deviations is retained in the contract files.

## **Conclusion**

Four of the seven Defense systems' management of contract waivers and deviations needed improvement. The systems' program and contracting officials did not have assurance that the Government received equitable or appropriate consideration for accepting nonconforming material.

With the exception of the systemic problem noted in the General Accounting Office report on the lack of guidance to contracting officers in Federal and DoD regulations, we did not identify any systemic weakness in requirements for processing major waivers and deviations. The four Defense systems identified the need for improvement in internal procedures used to manage major waivers and deviations. Accordingly, we are not making recommendations in this report.

## **Managing Contract Waivers and Deviations**

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Although the report contains no findings or recommendations, the Army provided comments on September 29, 1998. The Army stated that it established a formal configuration control board that requires all waivers, deviations, and engineering change proposals to be approved or disapproved by the board members and program manager.



## **Part II - Additional Information**

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## Appendix A. Audit Process

### Scope

We conducted the audit from March 1996 through June 1998, and reviewed data on major waivers and deviations from November 1989 through June 1998 relating to the seven Defense systems: the Army's Avenger Missile System, Hellfire Missile System, and Tube-Launched, Optically Tracked, Wire Command-Link Guided Missile System; the Navy's Harpoon and Trident II Missile Systems; and the Air Force's C-17 Aircraft and Titan IV Systems. To accomplish the objective, we:

- examined production contracts for the Defense systems, including statements of work, schedules, contract line items, and related correspondence;
- reviewed configuration management documentation, configuration management plans, engineering change proposals, requests for waivers and deviations, contract modifications, program test results, system specifications, technical data packages, and Services' configuration management regulations; and
- discussed issues for managing contract waivers and deviations for the Defense systems with program managers, contracting personnel, configuration management personnel and contractor personnel.

**DoD-wide Corporate Level Government Performance and Results Act Goals.** In response to the Government Performance and Results Act, the Department of Defense has established 6 DoD-wide corporate level performance objectives and 14 goals for meeting the objectives. This report pertains to achievement of the following objective and goal.

- **Objective:** Prepare now for an uncertain future.
- **Goal:** Pursue a focused modernization effort that maintains U.S. qualitative superiority in key warfighting capabilities. (DoD-3)

**General Accounting Office High-Risk Area.** The General Accounting Office has identified several high-risk areas in DoD. This report provides coverage of the Defense Weapons Systems Acquisition high-risk area.

### Methodology

We conducted this program audit in accordance with auditing standards issued by the Comptroller General of the United States, as implemented by the Inspector General, DoD, and accordingly included such tests of management controls as we deemed necessary. We received technical support from the

Engineering Branch, Technical Assessment Division, Audit Planning and Technical Support Directorate of the Assistant Inspector General for Auditing, DoD. We did not use computer-processed data to perform this audit.

**Contacts During the Audit.** We visited or contacted individuals and organizations within DoD and contractor locations. Further details are available upon request.

### Management Control Program Review

**Requirement for Management Control Reviews.** DoD Directive 5010.38, "Management Control (MC) Program," August 26, 1996, requires DoD managers to implement a comprehensive system of management controls that provides reasonable assurance that programs are operating as intended and to evaluate the adequacy of the controls.

**Scope of Review of the Management Control Program.** We reviewed the management of contract waivers and deviations for Defense systems. Specifically, we assessed whether procedures in Federal Acquisition Regulation, subpart 46.407, and Military Standard 973 for reviewing, approving, and obtaining equitable consideration for major waivers and deviations were adequately and consistently applied. We also reviewed the implementation of management controls applicable to waivers and deviations.

**Adequacy of Management Controls.** We identified a material management control weakness, as defined by DoD Directive 5010.38, for managing major waivers and deviations on the C-17 aircraft. We addressed that weakness in Inspector General, DoD, Report No. 96-221 on the C-17 aircraft.

### Summary of Prior Coverage

During the last 5 years, the Military Department audit agencies have not issued reports specifically addressing the management of contract waivers and deviations for Defense systems. However, the General Accounting Office and the Inspector General, DoD, issued the following four reports that, in part, address the management of contract waivers and deviations for Defense systems.

General Accounting Office Report No. GAO/NSIAD-98-20 (Office of the Secretary of Defense Case No. 1479), "Guidance is Needed on Payments for Conditionally Accepted Items," December 12, 1997.

Office of the Inspector General, DoD, Report No. 98-197, "Management of Contract Waivers and Deviations for the Trident II Missile System," September 2, 1998.

## **Appendix A. Audit Process**

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Office of the Inspector General, DoD, Report No. 97-104, "Waivers and Deviations For The C-17 Aircraft," March 6, 1997.

Office of the Inspector General, DoD, Report No. 96-221, "The Avenger Forward-Looking Infra-Red System," September 16, 1996.

Part I of this report discusses the results reported in the four above-mentioned audit reports.

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## Appendix B. Descriptive Information on Selected Defense Systems

**Avenger Missile System.** The Avenger Missile System is a lightweight, highly mobile, transportable surface-to-air missile and 0.50 caliber machine gun system. A two-person crew operates the system. The crew defends against helicopters and fixed-wing aircraft flying at low altitude, in day or night operations, and in clear or adverse weather. The Avenger Missile System will operate against aircraft attack and may be subjected to nuclear, biological, and chemical threats. The system is mounted on a high-mobility multipurpose wheeled vehicle and has an operator's position with controls and displays, fire control electronics, and a standard vehicle-mounted launcher to support and launch Singer missiles. The Avenger Missile System crew acquires the target by direct vision using the optical sight or a forward-looking infrared system for night and poor weather operation. In total, the Army has contracted for 911 units and has an unfunded contract option for an additional 93 units. The Army is acquiring 237 of the 1,004 Avenger Missile Systems for the Marine Corps. Also, the Army plans to purchase from 674 to 767 Avenger Missile Systems for its own use. The total estimated life-cycle cost of the program is about \$1 billion in then-year dollars.

**C-17 Aircraft.** The C-17 aircraft is a four-engine, heavy-lift, long-range transport aircraft with a short take-off and landing capability. The Air Force designed the aircraft to modernize the airlift fleet and to improve the capability of the United States to rapidly project, reinforce, and sustain combat forces worldwide. The C-17 aircraft provides airlift capability for outsized combat equipment equivalent to the larger C-5 aircraft and provides short-field performance similar to the C-130 aircraft. In August 1981, the C-17 System Program Office selected McDonnell Douglas Corporation to develop the C-17 aircraft. The C-17 aircraft program achieved initial operational capability in January 1995. The Defense Acquisition Board approved the C-17 aircraft for full-rate production in November 1995, and also approved Air Force plans to procure 120 C-17s. Total research, development, and procurement cost is projected at \$41.5 billion in then-year dollars for the entire 120 aircraft.

**Hellfire Missile System.** Two systems compose the Hellfire Missile Program: the Laser Hellfire Missile System and the Longbow Hellfire Missile System. Both missiles share common components and are air-to ground missiles designed to defeat individual hardpoint targets and to minimize exposure of the delivery vehicle to enemy fire. The unit cost of the missile systems ranges from about \$53,000 to \$200,000.

**Laser Hellfire Missile.** This is a laser-guided, anti-armor missile that hones-in on a laser point that the operator can project to ground observers, the launching aircraft, or other aircraft. The Laser Hellfire Missile is capable of engaging single or multiple targets directly or indirectly and of firing single, rapid, or ripple rounds. Key contractors involved in the Laser Hellfire Missile system are Lockheed Martin and Boeing North American.

## **Appendix B. Descriptive Information on Selected Defense Systems**

**Longbow Hellfire Missile.** This is a fire-and-forget missile that greatly enhances the survivability of the host helicopter. The Longbow Hellfire Missile uses inertial radar-aided guidance to provide a lock-on-before-launch or a lock-on-after-launch capability. Lockheed Martin and Northrop Grumman produce the Longbow Hellfire Missile as part of a joint venture.

**Harpoon/Stand-off Land Attack Missile System.** The Naval Air Systems Command assigned program management responsibility for the Harpoon/Stand-off Land Attack Missile System to a program manager who reports to the Program Executive Officer Cruise Missiles Project and Unmanned Aerial Vehicle Joint Project. The Harpoon Missile System is an all-weather, over-the-horizon, anti-ship missile system. The Harpoon/Stand-off Land Attack Missile is an infrared missile used for long-range precision strikes. The Navy designed the Harpoon Missile System for deployment on surface ships, aircraft, submarines and ground-based installations. McDonnell Douglas Aerospace has been responsible for developing and producing the Harpoon Missile System since mid-1971. The Navy redirected the funding for the Harpoon toward the procurement of the Harpoon/Stand-off Land Attack Missile System and upgrade packages for the anti-ship model. The United States discontinued procurement of the Harpoon Missile System, although McDonnell Douglas is still producing the missile for multiple foreign military sales contracts.

**Titan IV.** The Titan IV is a heavy-lift, space-launch vehicle used to carry DoD payloads such as Defense Support Program and Milstar satellites into space. Deployed in June 1989, the Titan IV is the newest and largest unmanned space booster used by the Air Force. It provides assured capability for launching space shuttle-class payloads. The Titan IV can carry up to 39,000 pounds. Lockheed Martin Astronautics (formerly Martin Marietta Astronautics Group) is the prime contractor for the Titan IV. Each Titan IV costs approximately \$177 million or approximately \$230 million with the Centaur upper stage.

**Trident II Missile System.** The Trident II is a three-stage, solid-propellant, inertially guided Fleet Ballistic Missile, with a range of more than 4,000 nautical miles (4,600 statute miles). The Navy designed, developed, and produced the Trident II to support its submarine-launched ballistic missile weapon systems. The Trident II is launched by the pressure of expanding gas within the launch tube. When the missile attains sufficient distance from the submarine, the first-stage motor ignites, the aerospike extends, and the boost stage begins. Within about 2 minutes, after the third stage motor kicks in, the missile is traveling more than 20,000 feet (6,096 meters) per second.

**Tube-Launched, Optically Tracked, Wire Command-Link Guided Missile System.** The missile is the primary anti-tank weapon of the Army. The missile is tube-launched from the ground, vehicles, and helicopters. It provides a heavy anti-tank assault capability for the infantry, air-mobile, and mechanized infantry battalions. Hughes Electronics Corporation and Hughes Missile Systems Company in Tucson, Arizona, developed and produced the missile. Hughes began producing the missile in 1968 and will have produced about 596,000 units by the end of 1998.

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## **Appendix C. Report Distribution**

### **Office of the Secretary of Defense**

Under Secretary of Defense for Acquisition and Technology  
Director, Defense Logistics Studies Information Exchange  
Under Secretary of Defense (Comptroller)  
Deputy Chief Financial Officer  
Deputy Comptroller (Program/Budget)  
Assistant Secretary of Defense (Public Affairs)

### **Department of the Army**

Commander, Army Aviation and Missile Command  
Auditor General, Department of the Army

### **Department of the Navy**

Assistant Secretary of the Navy (Financial Management and Comptroller)  
Commander, Naval Air Systems Command  
Director, Strategic Systems Program  
Auditor General, Department of Navy

### **Department of the Air Force**

Assistant Secretary of the Air Force (Financial Management and Comptroller)  
Commander, Space and Missile Systems Center  
Auditor General, Department of the Air Force

### **Other Defense Organizations**

Director, Defense Contract Audit Agency  
Director, Defense Logistics Agency  
Director, National Security Agency  
Inspector General, National Security Agency  
Inspector General, Defense Intelligence Agency

## **Non-Defense Federal Organizations and Individuals**

Office of Management and Budget  
Technical Information Center, National Security and International Affairs Division,  
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Chairman and ranking minority member of each of the following congressional committees and subcommittees

Senate Committee on Appropriations  
Senate Subcommittee on Defense, Committee on Appropriations  
Senate Committee on Armed Services  
Senate Committee on Governmental Affairs  
House Committee on Appropriations  
House Subcommittee on National Security, Committee on Appropriations  
House Committee on Government Reform and Oversight  
House Subcommittee on Government Management, Information, and Technology,  
Committee on Government Reform and Oversight  
House Subcommittee on National Security, International Affairs, and Criminal Justice,  
Committee on Government Reform and Oversight  
House Committee on National Security



## **Part III - Management Comments**

# Department of the Army Comments



REPLY TO  
ATTENTION OF

DEPARTMENT OF THE ARMY  
UNITED STATES ARMY AVIATION AND MISSILE COMMAND  
REDSTONE ARSENAL, ALABAMA 35896-8888

ANSAM-IR (36-2b)

29 Sep 98

MEMORANDUM FOR Inspector General, Department of Defense,  
400 Army Navy Drive,  
ATTN: Mr. Douglas Neville, Room 600  
Arlington, VA 22202-2884

SUBJECT: DODIG Draft Report, Management of Contract Waivers  
and Deviations for Defense Systems (Project No. 6AE-0033.03)  
(AMC No. D9615)

1. Enclosed are AMCOM comments to the subject draft report for your consideration.
2. Points of contact for this office are Ms. Lena Godfrey at DSN 746-1264 or Mr. William Huseman at DSN 897-1785.

FOR THE COMMANDER:

Encl

*Ellis L. Cox*  
ELLIS L. COX  
Chief, Internal Review and  
Audit Compliance Office

CF:  
Army Audit Control Point  
(Ms. Deborah Rinderknecht)

AN EQUAL OPPORTUNITY EMPLOYER

AMSAM-DSA-SH (AMSAM-DSA-B/15 Sep 98) (70-1r) 1<sup>st</sup> End  
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Waivers and Deviations for Defense Systems

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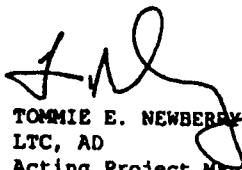
23 SEP 1998

FOR AMSAM-DSA-B

1. The SHORAD Project Office has established a formal configuration control board for awarded contracts in the SHORAD Program Office which requires all waivers, deviations, and engineering change proposals to be approved/disapproved by the board members and program manager. Recommendations requiring consideration on any contractual action is approved by the program manager and forwarded to the Acquisition Center for contract implementation. The configuration control board chairman will insure future consideration is applied on all board actions.

2. The POC for this action is Charlotte Calvert, AMSAM-DSA-SH-PM-PB, telephone 6-1265, fax 2-9683.

Encl  
wd

  
TOMMIE E. NEWBERRY  
LTC, AD  
Acting Project Manager, SHORAD



## **Audit Team Members**

The Acquisition Management Directorate, Office of the Assistant Inspector General for Auditing, DoD, produced this report.

Thomas F. Gimble  
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Barbara S. Wright  
Cheryl C. Henderson

